

## Senate Bill No. 1855

### CHAPTER 385

An act to amend Sections 10102 and 10103 of, and to add Section 10103.5 to, the Insurance Code, relating to homeowners' insurance.

[Approved by Governor August 27, 2004. Filed with  
Secretary of State August 30, 2004.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 1855, Alpert. Homeowners' insurance: liability limits: disclosure.

Existing law prohibits an insurer from issuing or initially renewing a policy of residential property insurance unless the insurer provides to the applicant or policyholder a disclosure statement containing specified information. Existing law requires the insurer, following the issuance or initial renewal of the policy, to provide the disclosure statement to the insured every other year.

This bill would require that this disclosure statement provide the additional cost for each of the different categories of coverage offered by the insurer that provide broader coverage than the insured's current coverage. It would require that the cost shown represent the additional premium that would be charged to the insured for each category of coverage if the insured were to opt for that category of coverage.

Existing law requires that a certain disclosure form describing categories of homeowners' insurance coverage be provided to an applicant or insured prior to, or concurrent with, an application for or initial renewal of a homeowners' insurance policy, and every other year thereafter at the time of renewal.

This bill would revise that disclosure form, and would require the Insurance Commissioner, by January 1, 2005, to report to the Governor and the Legislature on the effectiveness of the disclosure form.

Existing law prohibits a homeowners' policy from being issued or renewed unless it indicates on the declarations page, or on a separate disclosure form, specified information, including the limits of liability for the structure.

This bill would require that an insurer provide this information on the declarations page of the policy, and that the information include a specified statement regarding the valuation of the structure.

The bill would require that the above disclosure statement be accompanied by a California Residential Property Insurance Bill of Rights, as specified.

*The people of the State of California do enact as follows:*

SECTION 1. Section 10102 of the Insurance Code is amended to read:

10102. (a) The disclosure required by Section 10101 shall be in no less than 10-point type face and shall be provided prior to, or concurrent with, the application for or initial renewal of a policy of residential property insurance. In the event that an application is made by telephone, an insurer that mails a copy of the disclosure within three business days shall be in compliance with this section. For policies issued on or after July 1, 1993, at the time of the original application, the agent or insurer shall obtain the applicant's signature acknowledging receipt of the disclosure form within 60 days of the date of the application. When the insurer or agent establishes delivery of the disclosure form by obtaining the signature of the applicant or insured, or when an insurer or agent provides the applicant with the disclosure form and the applicant does not return a signed acknowledgment of receipt within 60 days of the date it was provided, there shall be a conclusive presumption that the insurer or agent has complied with the disclosure requirement of this chapter. The insurer or agent shall have the burden of demonstrating in accordance with California Rules of Evidence that the disclosure was provided to the applicant or insured. A signature shall not be required at the time of renewal.

If the disclosure is mailed to the named insured or applicant, it shall be mailed to the mailing address shown on the policy of residential property insurance or to the address requested by the applicant. First-class mail shall be deemed adequate for proof of mailing. The insurer shall have the burden of demonstrating in accordance with California Rules of Evidence that the disclosure was mailed to the applicant or insured.

The disclosure shall contain the following language:

#### CALIFORNIA RESIDENTIAL PROPERTY INSURANCE DISCLOSURE

This disclosure is required by California law (Section 10102 of the Insurance Code). It describes the principal forms of insurance coverage in California for residential dwellings. It also identifies the form of dwelling coverage you have purchased or selected.

This disclosure form contains only a general description of coverages and is not part of your residential property insurance policy. Only the specific provisions of your policy will determine whether a particular



loss is covered and, if so, the amount payable. Regardless of which type of coverage you purchase, your policy may exclude or limit certain risks.

**READ YOUR POLICY CAREFULLY.** If you do not understand any part of it or have questions about what it covers, contact your insurance agent or company. You may also call the California Department of Insurance consumer information line at (\_\_\_\_).

The cost to rebuild your home may be very different from the market value of your home since reconstruction is based primarily on the cost of labor and materials. Many factors can affect the cost to rebuild your home, including the size of your home, the type of construction, and any unique features. Please review the following coverages carefully. If you have questions regarding the level of coverage in your policy, please contact your insurance agent or company. Additional coverage may be available for an additional premium.



NOTE TO PRINTING OFFICE: INSERT CAMERA-READY COPY  
HERE

for Forms of Coverage for Dwellings disclosure form

as printed in Ch. 11 on Pages 79 & 80, in Vol. 1 of the 1993 Statutes.







(b) The agent or insurer shall indicate on the disclosure form which category of coverage the applicant or insured has selected or purchased.

(c) The disclosure statement may contain additional provisions not in conflict with or in derogation of the foregoing.

(d) Following the issuance or initial renewal of the policy of residential property insurance, the insurer shall provide the disclosure statement to the insured on an every-other-year basis at the time of renewal. The disclosure required by this section may be transmitted with the material required by Section 10086.1.

(e) No policy of residential property insurance may be initially issued on and after January 1, 1993, as guaranteed replacement cost coverage if it contains any maximum limitation of coverage based on any set dollar limits, percentage amounts, construction cost limits, indexing, or any other preset maximum limitation for covered damage to the insured dwelling. The limitations referred to in this section are solely applicable to dwelling structure coverages. Endorsements covering additional risks to the insurer's dwelling structure coverage may have internal limits as long as those endorsements are not called guaranteed replacement cost coverage.

(f) On and after July 1, 1993, no policy of residential property insurance may be renewed as guaranteed replacement cost coverage if it contains any maximum limitation of coverage based on any set dollar limits, percentage amounts, construction cost limits, indexing, or any other preset maximum limitation for covered damage to the insured dwelling. The limitations referred to in this section are solely applicable to dwelling structure coverages. Endorsements covering additional risks to the insurer's dwelling structure coverage may have internal limits as long as those endorsements are not called guaranteed replacement cost coverage.

(g) Coverage provided for building code upgrades by a policy of residential property insurance shall be applicable to building codes, ordinances, standards, or laws only to the extent that those codes, ordinances, standards, or laws do not impose stricter standards on the property on the basis of the level of insurance coverage applicable to the property.

(h) The disclosure required by Section 10101 shall also be provided to the mortgagor in the event that a policy is forced placed by an insurer at the request of a mortgagee. In such cases, neither the insurer nor the mortgagee shall be required to obtain a signature from the mortgagor. No disclosure shall be required to be provided with respect to blanket policies issued to a mortgagee, and designed to provide interim coverage for losses occurring prior to the mortgagee obtaining knowledge of the



lapse of the policy and prior to placement of a policy on behalf of the mortgagor.

(i) On and after July 1, 1994, insurers shall add to the disclosure, in no less than 10-point type the following statement:

This disclosure form does not explain the types of contents coverage (furniture, clothing, etc.) provided by your policy. Some policies do not replace contents with new items, but instead, only pay for the current market value of an item. If you have any questions, contact your insurer or agent.

(j) No later than December 1, 2005, the commissioner shall report to the Governor and the Legislature on the status of the issues regarding residential property insurance and the effectiveness of the California Residential Property Insurance Disclosure.

SEC. 2. Section 10103 of the Insurance Code is amended to read:

10103. (a) No policy of residential property insurance may be issued or renewed in this state unless it provides the following information on the declarations page of the policy:

(1) The limits of liability for the structure.

(2) The following statement regarding the valuation of the structure:

“The limit of liability for this structure (Coverage A) is based on an estimate of the cost to rebuild your home, including an approximate cost for labor and materials in your area, and specific information that you have provided about your home.”

(3) Limits of liability for personal property.

(4) Deductibles.

(5) Whether the policy provides coverage for the increased costs of repairing or replacing damage to the insured dwelling caused by a covered loss because of building ordinances or laws regulating the repair. In the event that no coverage is provided for repairs that result from new building ordinances or laws, the insurer shall include in no less than 10-point typeface the following statement: “THIS POLICY DOES NOT INCLUDE BUILDING CODE UPGRADE COVERAGE.”

(b) In the event that the policy does include code upgrade coverage, it shall either:

(1) State this on the declaration page, and denote any applicable limits.

(2) State this on a separate disclosure form attached to the declarations page, if the separate disclosure form meets the following standards:

(A) It is printed in not less than 10-point typeface.

(B) It denotes any applicable limits on the amount of coverage.





(C) It denotes restrictions, if any, on coverage for compliance with applicable building codes which take effect after the date of loss but prior to the issuance of required building permits.

SEC. 3. Section 10103.5 is added to the Insurance Code, to read:

10103.5. (a) Every California Residential Property Insurance Disclosure shall be accompanied by a California Residential Property Insurance Bill of Rights. If the insurer provides the insured with an electronic copy of a policy, the bill of rights may also be transmitted electronically.

(b) The California Residential Property Insurance Bill of Rights shall be plainly printed in no less than 10-point type. The bill of rights shall contain the following:

“California Residential Property Insurance Bill of Rights

The largest single investment most consumers make is their home and related property. In order to best protect these assets, it is wise for consumers to understand the homeowner’s insurance market. Consumers should consider the following:

Read your policy carefully and understand the coverage and limits provided. Homeowner’s insurance policies contain sublimits for various coverages such as personal property, debris removal, additional living expense, detached fences, garages, etc.

Keep accurate records of renovations and improvements to the structure of your home, as it could affect your need to increase your coverage.

Maintaining a list of all personal property, pictures, and video equipment may help in the case of a loss. The list should be stored away from your home.

Comparison shop for insurance, as not all policies are the same and coverage and prices vary.

Take time to determine the cost to rebuild or replace your property in today’s market. You can seek an independent evaluation of this cost.



You may select a licensed contractor or vendor to repair, replace, or rebuild damaged property covered by the insurance policy.

An agent or insurance company may help you establish policy limits that are adequate to rebuild your home.

Once the policy is in force, contact your agent or insurance company immediately if you believe your policy limits may be inadequate.

A consumer is entitled to receive information regarding homeowner's insurance. The following is a limited overview of information that your insurance company can provide:

The California Residential Property Insurance Disclosure.

An explanation of how your policy limits were established.

The insurance company's customer service telephone number for underwriting, rating, and claims inquiries.

An explanation for any cancellation or nonrenewal of your policy.

A copy of your policy.

The toll-free telephone number and Internet address for reporting complaints and concerns about homeowner's insurance issues to the department's consumer services unit.

In the event of a claim, an itemized, written scope of loss report prepared by the insurer or its adjuster within a reasonable time period.

In the event of a claim, notification of a consumer's rights with respect to the appraisal process for resolving claims disputes.

In the event of a claim, a copy of the Unfair Practices Act and a copy of the Fair Claims Practices Regulations.

The information provided herein is not all inclusive and does not negate or preempt existing California law. If you have any concerns or questions, the officers at our Consumer Hotline are there to help you.



Please call them at 1-800-927-HELP (4357) or contact us at [www.insurance.ca.gov](http://www.insurance.ca.gov).”

(c) The bill of rights shall be distributed by all insurers licensed to sell residential property insurance in this state.

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